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SUBJECT: PRESIDENTIAL CANDIDATES' ECONOMIC ADVISORS OUTLINE
GOALS

REF: SANTIAGO 01574

1. Summary: Economic advisors for the three leading presidential candidates outlined their respective candidates' positions on June 22 before 200-plus members of the Chilean and foreign business communities. The three agreed the Lagos Administration had made significant achievements in the macroeconomic area, but offered differing views on how to address shortcomings and grow the Chilean economy over the next 10-15 years.

2. Presidential front-runner Michelle Bachelet's advisor, Jorge Marshall, said increasing productivity and reducing poverty were the keys to achieving future growth. He claimed only the governing Concertacion coalition possessed the capability to lead Chile to the next level. Jose Ramon Valente, the advisor for Democratic Independent Union (UDI) candidate Joaquin Lavin, cautioned that Bachelet would follow her "true socialist feelings" -- and not the advice of her free-market advisors -- if elected. Felipe Morande, advisor to National Renewal (RN) Party candidate Sebastian Pinera, argued that job creation was key to future growth and reducing poverty. End summary.

3. Economic advisors for the three leading presidential candidates presented their candidates, positions on Chile, economic future to over 200 Chilean and foreign business representatives at a seminar sponsored by AMCHAM, El Mercurio and the Council of the Americas on June 22. The three followed center-right National Renewal presidential candidate Sebastian Pinera, who delivered the opening address (reftel). Below is a summary of the comments offered by each advisor, in order of appearance:

JORGE MARSHALL (MICHELLE BACHELET)

4. The ruling Concertacion coalition has a window of opportunity created by the achievements of the Lagos administration to lead Chile into the developed world. Chile should focus its efforts in two areas: increasing productivity and reducing inequality. Marshall identified four factors that influence productivity: macroeconomic conditions, microeconomic conditions, businesses, and workforce. He noted Chile was performing well on the macroeconomic front, but needed to do more on the microeconomic front, such as provide greater access to credit, and enact more flexible labor regulations. Marshall said the problem of inequality in Chile had as much to do with education and culture as with economics, and asserted Chile should make a greater effort to incorporate women into the workplace at all levels. He closed by emphasizing that Concertacion had demonstrated over the past 15 years that it (as opposed to the opposition Alianza) was capable of creating the necessary governing conditions for Chile to succeed.

JOSE RAMON VALENTE (JOAQUIN LAVIN)

5. Valente said it was important to look beyond a candidate's general statements and promises regarding economic policy, and examine each one's "moral and political base." He argued that Bachelet, as a socialist, would "follow her heart," and not the free-market policies advocated by her advisors like Jorge Marshall. "There is a big difference between Bachelet, and the technical teams led by people like Marshall who advise her," he said. Lavin, on the other hand, would focus on liberty, efficiency, and solidarity, and lead Chile out of poverty and inequality and toward democracy. Valente claimed the GOC under Lavin would do more with less, as opposed to more with more ("inefficiency"), or less with more ("immoral"). Using the metaphor of a bridge, Valente emphasized the importance of all socio-economic classes working together to create equality. "Lavin is the only candidate who can bridge the gap among the classes," he said.

FELIPE MORANDE (SEBASTIAN PINERA)

16. Job creation is the key to growing the economy and reducing poverty. Together with de-regulation and increased focus on education, job creation can help alleviate a number of problems within the Chilean economy. On education, Morande argued for greater investment in training teachers, revamping the scholastic curriculum, and in evaluating teachers' performance over time. He added that Chile needed to ensure greater access to credit for all economic classes. Morande took issue with Marshall's point that only Concertacion was capable of governing, noting that UDI and RN also possessed the necessary leadership and technical capacity to govern.

BIO NOTES

--Marshall: Marshall recently departed from the board of Chile's Central Bank, where he also served as vice president (1993-2003). He served as Minister of the Economy (1992-93), and Under Secretary of the Ministry of Economy (1990-92). Marshall earned a doctorate in Economics from Harvard. He is married and has three children.

--Valente: He earned his undergraduate degree in commercial engineering from the University of Chile, and an MBA from University of Chicago. (During his remarks, Valente described himself as "one of the many Chicago boys advising Lavin.") He has been a partner in the consulting firm Econsult since 1989, a firm which advises companies interested in doing business in Chile, and Central and South America. He also worked as a professor of finance and microeconomics at University of Chile from 1989-93. He is married with children.

--Morande: Morande is a professor of economics at University of Chile and former chief economist at Chile's Central Bank. He was a visiting fellow at Stanford (2001-02), and taught economics at the Georgetown University's study abroad program in Chile in the 1980s/early 1990s. His brother Pablo runs one of Chile's well-known wineries, Morande. He earned his undergraduate degree in economics from University of Minnesota in 1983.

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